

Message Text

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17

ACTION XMB-04

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 /056 W

----- 046362

R 291525Z SEP 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2816

INFO AMCONSUL KAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 3701

E.O.11652: N/A

TAGS: SF, BPRO, EFIN, EIND

SUBJECT: ISCOR AND EXIM GUARANTEES FOR FINANCING GENERAL

ELECTRIC LOCOMOTIVES

REFERENCE: PRETORIA 3700

1. DURING EMBOFFS CALL ON ISCOR SEPT 26 CONCERNING BUCYRUS-ERIE FINANCING (SEE REFTEL) QUESTION AROSE OF EXIM GUARANTEES FOR FINANCING LOCOMOTIVES BEING OFFERED BY GENERAL ELECTRIC FOR AN ISCOR TENDER. TENDER CALLS FOR 25 LOCOMOTIVES VALUED AT ABOUT \$35 MILLION. THIS TENDER, NOW UNDER ADJUDICATION BY ISCOR, REQUIRES BIDDER TO INCLUDE HIS CREDIT TERMS WHICH ARE THEN INCLUDED IN BID EVALUATION.

2. BOTH ISCOR, AND LATER SAME DAY GENERAL ELECTRIC, TOLD US EXIM CREDIT GUARANTEE FOR THIS BID HAS BEEN CONDITIONED ON PROVISION OF SA GOVERNMENT GUARANTEE OF ISCOR, ALTHOUGH BOTH UNDERSTAND THAT THIS POINT IS STILL UNDER NEGOTIATION BETWEEN EXIM AND GENERAL ELECTRIC. HOWEVER AS MATTERS PRESENTLY STAND, GE BID CONTAINS NO CREDIT TERMS. THIS PUTS IT AT DISADVANTAGE WITH OTHER INTER-NATIONAL BIDS ON THIS TENDER. ISCOR REPS INFERRED GE WOULD

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PROBABLY THEREFORE BE PASSED OVER AND LOSE ORDER.

4. IN OUR REFTEL, CONCERNING CREDIT GUARANTEE FOR BUCYRUS-ERIE WE HAVE GONE INTO QUESTION OF SAG GUARANTEES FOR ISCOR AT SOME LENGTH, NOTING SAG POLICY OF NOT RPT NOT GUARANTEEING ISCOR SUPPLIER CREDITS. AT SAME TIME WE POINTED OUT THAT THE ALMOST 100 PERCENT SAG OWNERSHIP OF ISCOR REPRESENTS, IN EFFECT, A DE FACTO GUARANTEE ESPECIALLY GIVEN THE SAG SENSITIVITY TO THE DEPENDENCE OF ITS ECONOMY ON CONTINUED INFLOWS OF FOREIGN CAPITAL.

5. WITHIN AN HOUR OF OUR CALL ON ISCOR, TUCKER PRESIDENT OF SOUTH AFRICAN GENERAL ELECTRIC TELEPHONED ECON COUNSELOR TO EXPRESS HIS CONCERN OVER STATUS OF GE-EXIM NEGOTIATIONS ON THIS PROSPECTIVE ORDER AND POSSIBLE LOSS OF ORDER.

6. ACTION REQUESTED: IT WOULD BE APPRECIATED IF EXIM COULD FURNISH US REPORT ON THIS CASE TAKING INTO CONSIDERATION MATERIAL IN THIS MESSAGE AND IN REFTEL ON SAG POLICY CONCERNING GUARANTEES FOR ISCOR SUPPLIER CREDITS.

BOWDLER

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Message Attributes

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Disposition Approved on Date:
Disposition Authority: buchant0
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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